

Export proceeds retained in forex accounts, SBP decides to enhance scope of funds' utilization

KARACHI: The State Bank of Pakistan (SBP) has decided to enhance the scope of utilization of export proceeds funds retained in special foreign currency accounts by exporters.

Industry sources said that currently the decision is under consideration and the SBP has sought the feedback on these proposals from exporters and trade bodies by October 30, 2020. They said that SBP has made these proposal in light of the feedback received from the industry that recent scope of utilization of funds may be enhanced by allowing additional payments from export proceeds funds for their business promotion.

In order to facilitate exporters, the SBP has allowed exporters to retain certain percentage of their export proceeds in special foreign currency accounts. Generally, exporters of goods are allowed to retain up to 10 percent in such account to meet their promotional, marketing, commission and other related expenses abroad under Para 35, Chapter 12 of FE Manual.

Further, in order to encourage and incentivise the services and IT sector to increase their export earnings, the SBP has allowed retention of up to 35 percent of their exports earning in special foreign currency account under Para 12 & 36, Chapter 12 of FE Manual.

However, in recent interactions with the industry and exporters, the SBP received feedback from multiple stakeholders that scope of utilization of funds retained in foreign currency accounts by exporters may be widened to include other foreign payment that they have to pay in relation to legitimate needs of their businesses.

Accordingly, the SBP is considering to further widen the scope of utilization of exporters' special foreign currency retention account by allowing some additional payments from this account. As per proposal, SBP is considering to allow following payment from especial foreign currency accounts of exporters.

- a) Payment for fee/expenses related to advertisement, promotion, marketing, brand building etc. of products abroad through third party agent or through company's own subsidiary/liaison/marketing office abroad;
- b) Subscription fee for participation in foreign exhibitions, fairs & e-commerce platforms for* promotion/marketing of company's products;
- c) Payment of foreign consultant's fee for obtaining services from abroad;

- d) Payments for hotel booking and other travel expenses abroad, in lieu of official visits of company's employees;
- e) Payment for third party warehousing services and shelf space expenses abroad;
- f) Investment in subsidiaries, joint ventures abroad in accordance with the framework of Investment Abroad by Residents provided by State Bank under Chapter 20 of FE Manual;
- g) Withdrawal of FCY in cash to the extent of travel abroad limits prescribed by the State Bank;
- h) Refund of payment to foreign tourists on account of cancellation of their intended tours to Pakistan, for which they had remitted advance payment to tour operators/organizers in Pakistan.

According to the SBP, the policy is currently under draft stage, therefore, trade bodies have been requested to share their feedback on these proposed changes, if any, by October 30, 2020.

The SBP has always been on the forefront in facilitating the export-oriented sectors through providing an enabling regulatory regime.